CBSE Class 12 Business Studies Question Paper 2017 with Solution PDF-Set 66/2/2

Question Paper with Solutions

Conducted by the Central Board of Secondary Education (CBSE)

Time Allowed: 3 hours **Maximum Marks: 80**

General Instructions

(i) Answers to questions carrying **1 mark** may be from **one word to one sentence**.
(ii) Answers to questions carrying **3 marks** may be from **50 – 75 words**.
(iii) Answers to questions carrying **4 – 5 marks** may be about **150 words**.
(iv) Answers to questions carrying **6 marks** may be about **200 words**.
(v) Attempt all parts of a question together.

1. Whirlwind Enterprises was a renowned name for manufacturing quality washing machines since 1965. When the profit of the last year declined, Mr. Ahmed, the owner of Whirlwind Enterprises, asked the General Manager to prepare a profitability report of the company including Gross Profit Ratio, Net Profit Ratio, etc. besides using other techniques to assess the company's performance.

Identify the step taken by Mr. Ahmed which is related to one of the functions of management. [1 mark]

Solution:

Concept:

- Controlling involves measuring actual performance, comparing it with standards and taking corrective action when necessary.
- Profitability ratios are quantitative measures used to assess the actual financial performance of an enterprise.

Step 1: Identify the evidence in the case Mr. Ahmed asks for a profitability report including 'Gross Profit Ratio, Net Profit Ratio, etc.' in order 'to assess the company's performance'. These ratios describe the results actually achieved by Whirlwind Enterprises.

Step 2: Name the controlling step The step is **measurement of actual performance**. Preparing the report supplies performance data; comparison with predetermined standards and corrective action are subsequent steps, not the step described here.

Step 3: Conclusion Mr. Ahmed has initiated **measurement of actual performance**, a step in the controlling process.

Quick Tip to Solve: A report that establishes actual results indicates measurement; a comparison of those results with targets indicates the next controlling step.

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2. Vegatech Enterprises was a company manufacturing refrigerators. The company had a functional structure with four main functions — Production, Marketing, Finance and Human Resource. As the demand for the products grew, the company decided to hire more employees.

Identify the concept which will help the Human Resource Manager in identifying the types of human resources necessary for the performance of various jobs and accomplishment of organisational objectives. [1 mark]

Solution:

Concept:

- Estimating manpower requirements is the first step in staffing and includes analysing the work to be performed.
- Workload analysis determines the number and types of human resources required for different jobs and organisational objectives.

Step 1: Locate the staffing requirement The company wants to hire more people as demand grows. The phrase 'identifying the types of human resources necessary for the performance of various jobs' concerns the employees required by the work.

Step 2: Identify the analysis The relevant concept is **workload analysis**. It establishes the number

and types of personnel needed. Workforce analysis, in contrast, examines the number and types of personnel already available, so that shortages or surplus can be identified.

Step 3: Conclusion The Human Resource Manager should undertake **workload analysis** to determine the human resources required.

Quick Tip to Solve: Required people for the work means workload analysis; people already available means workforce analysis.

3. What is meant by 'Trading on Equity' ? [1 mark]

Solution:

Concept:

- A company can finance its operations through owners' funds and borrowed funds.
- Trading on equity concerns the effect of fixed financial charges on the earnings available to equity shareholders.

Step 1: Identify the financing method Trading on equity involves using fixed-charge sources of finance, especially debt, along with equity capital. Interest on debt is a fixed financial obligation rather than a share of profits.

Step 2: State the intended benefit When the return earned on the total funds exceeds the interest rate on debt, the surplus remaining after interest increases the earnings available per equity share. Thus debt can increase equity shareholders' earnings, although the fixed interest obligation also increases financial risk.

Step 3: Conclusion **Trading on equity** means using fixed-charge funds such as debt to increase the earnings per share of equity shareholders.

Quick Tip to Solve: Remember the link: fixed-charge debt can raise equity earnings when the return on investment exceeds the cost of debt.

4. Vanshika uses 'Kuber Cabs' for travelling in the city. She received a text message "Add ₹ 222 on Kaytm and get 20% cash back on having minimum ten trips till 15th April, 2017".
Identify the technique of sales promotion used by the company. [1 mark]

Solution:

Concept:

- Sales promotion uses short-term incentives to encourage consumers to buy or use a product or service.
- A refund returns part of the price paid by a customer, subject to the stated conditions of the offer.

Step 1: Identify the incentive The offer promises '20% cash back' after a customer makes 'minimum ten trips' within the specified period. Thus the company offers to return part of the amount paid for using its service.

Step 2: Name the technique This is the **refund** technique of sales promotion. It encourages repeat use by making a partial repayment conditional on completing the required trips. It is different from a lucky draw because no prize winner is selected by chance.

Step 3: Conclusion The sales promotion technique used by Kuber Cabs is **refund (cash back)**.

Quick Tip to Solve: Cash back or return of part of the price signals a refund; an immediate reduction in the listed selling price signals a discount.

5. Varunica Ltd., a reputed truck manufacturing company, needs rupees twenty crores as additional capital to expand its business. Mr. Alind Jindal, the CEO of the company, wants to raise funds through equity. The Finance Manager, Mr. Nikhil Sachdeva, suggests that the existing shareholders be offered the privilege to subscribe to new issue of shares as per the terms and conditions of the company which was agreed by Mr. Alind Jindal.

Name the method through which the company decided to raise additional capital. [1 mark]

Solution:

Concept:

- The primary market provides methods through which companies raise fresh capital by issuing securities.
- A rights issue gives existing shareholders the privilege to subscribe to a new issue of shares on the terms offered by the company.

Step 1: Identify who receives the offer The Finance Manager proposes that 'the existing shareholders be offered the privilege to subscribe to new issue of shares'. The offer is directed to present owners rather than to the public at large.

Step 2: Name the method of issue The method is a **rights issue**. The company raises additional equity capital by offering new shares to its existing shareholders, normally in proportion to their existing holdings. It is not a bonus issue, because the purpose here is to obtain fresh funds through subscription.

Step 3: Conclusion Varunica Ltd. decided to raise the additional capital through a **rights issue**.

Quick Tip to Solve: An offer of new shares to existing shareholders for subscription identifies a rights issue; free shares identify a bonus issue.

6. Differentiate between formal and informal organisation on the basis of 'authority'. [1 mark]

Solution:

Concept:

- A formal organisation is deliberately designed by management and specifies official positions and authority relationships.
- An informal organisation arises from personal interaction and social relationships among employ-

ees.

Step 1: Identify the source of formal authority In a formal organisation, authority comes from the position occupied in the management hierarchy. Official powers are delegated through the scalar chain, so the right to issue instructions is attached to the post.

Step 2: Compare the source of informal authority The distinction on the required basis is:

Basis	Formal organisation	Informal organisation
Authority	Arises from the official position in the management hierarchy.	Arises from personal qualities and influence, independently of an official position.

An informal leader is followed because the group accepts the person, rather than because management has formally delegated authority.

Step 3: Conclusion Formal authority is derived from an official position; informal authority is derived from personal qualities and influence.

Quick Tip to Solve: For authority, contrast the power of the post with the influence of the person; do not substitute differences about communication or formation.

7. Define 'Directing' as a function of management. [1 mark]

Solution:

Concept:

- Directing is the management function that initiates action by helping employees perform their assigned tasks.
- It includes instructing, guiding, counselling, motivating and leading people towards organisational objectives.

Step 1: State the meaning of directing Directing refers to the process of instructing, guiding, counselling, motivating and leading people in an organisation to achieve its objectives. It concerns the human side of getting work performed.

Step 2: Clarify how it operates Once plans have been made, work organised and people appointed, managers guide employees in carrying out their duties. Through supervision, communication, leadership and motivation, directing converts the organisation's plans into purposeful action.

Step 3: Conclusion **Directing** is the process of instructing, guiding, counselling, motivating and leading people to achieve organisational objectives.

Quick Tip to Solve: Include both the actions of the manager and their purpose: guiding and motivating people so that organisational objectives are achieved.

8. Why is 'Trade Test' conducted in the process of selection ? [1 mark]

Solution:

Concept:

- Selection tests assess whether an applicant possesses the qualities required for a particular job.
- A trade test measures the candidate's existing proficiency, practical skills and knowledge in the trade concerned.

Step 1: Identify what the test measures A trade test checks the actual skill and knowledge that an applicant already possesses in relation to the job for which selection is being made.

Step 2: Relate the result to selection It helps the employer judge whether the applicant can perform the required work competently. Unlike an aptitude test, which assesses the potential to learn, it establishes present proficiency in the relevant trade.

Step 3: Conclusion A trade test is conducted to measure the candidate's existing level of knowledge and proficiency in the particular trade or occupation required for the job.

Quick Tip to Solve: Link a trade test with present job skill; link an aptitude test with the potential to learn that skill.

9. Explain briefly 'Espirit de Corps' and 'Order' as general principles of management. [3 marks]

Solution:

Concept:

- Henri Fayol's general principles of management guide managers in organising people and resources effectively.
- Esprit de corps concerns unity and team spirit, while order concerns the proper placement of material resources and people.

Step 1: Explain esprit de corps **Esprit de corps:** Management should promote team spirit, unity and harmony among employees. A manager should replace "I" with "We" in dealings with workers so that they identify with the group and contribute towards common organisational objectives. Team spirit creates mutual trust and belongingness and reduces the need to use penalties merely to obtain cooperation. Managers should therefore encourage collective effort rather than divisions that weaken the team.

Step 2: Explain order **Order:** There should be a place for everything and everyone, and everything and everyone should be in its or his or her appointed place. Material order means keeping materials, tools and equipment in their proper locations; social order means placing the right person in the right job. When required resources and suitable employees are available at the correct place, work proceeds smoothly without avoidable searching, delay or confusion.

Step 3: Conclusion Esprit de corps improves cooperation through unity and team spirit. Order supports efficient working through the proper placement of people and material resources.

Quick Tip to Solve: Remember esprit de corps as "We, not I" and order as "the right person or thing in the right place."

10. State any three features of planning function of management. [3 marks]

Solution:

Concept:

- Planning means deciding in advance what is to be done and how it is to be done, thereby bridging the gap between the present position and the desired position.
- Planning provides the objectives and the course of action that guide the other managerial functions.

Step 1: State its focus and priority **1. Planning focuses on achieving objectives:** Planning begins with the determination of organisational objectives. It specifies activities and methods that will help achieve those objectives. Thus, a plan has a purpose: it directs effort towards a desired result rather than allowing activity without a clear target.

2. Planning is a primary function of management: Planning lays the foundation for organising, staffing, directing and controlling. Managers must know the objectives and intended activities before they can arrange resources, appoint people or guide work. It therefore precedes the other managerial functions and provides their basis.

Step 2: State its application throughout the organisation **3. Planning is pervasive:** Planning is required at all levels of management and in every department. Its scope varies: top management plans for the organisation as a whole, while departmental and supervisory managers prepare plans within their respective areas of responsibility. It is therefore not confined to top management alone.

Step 3: Conclusion Three features of planning are that it focuses on achieving objectives, is the primary function of management, and is pervasive throughout the organisation.

Quick Tip to Solve: For three features, recall the purpose of planning, its position before other functions, and its presence at every managerial level.

11. Explain briefly any three organisational barriers to effective communication. [3 marks]

Solution:

Concept:

- Organisational barriers arise from the policies, rules and structure of an organisation and obstruct the effective exchange of information.
- Effective communication requires a message to reach the intended person in time and with its meaning understood correctly.

Step 1: Explain policy and procedural barriers **1. Organisational policy:** An organisational policy that does not support the free flow of communication can obstruct it. For example, a highly centralised policy may discourage subordinates from expressing their views openly to superiors. As a result, useful suggestions and information may not reach those who need them.

2. Rules and regulations: Rigid rules and cumbersome procedures can delay or discourage communication. Requiring messages to pass only through prescribed channels and formalities may slow down an urgent exchange. The formality of the process can also reduce the initiative to communicate freely.

Step 2: Explain the effect of managerial levels **3. Complexity in organisation structure:** When an

organisation has many managerial levels, a message must pass through several successive points. Each transmission can filter, shorten or alter the information, and the chain also takes time. Consequently, the message may reach its destination late or with a meaning different from that originally intended.

Step 3: Conclusion Organisational policy, rigid rules and regulations, and complexity in the organisation structure are three organisational barriers to effective communication.

Quick Tip to Solve: Choose barriers rooted in the organisation itself: its policy, its procedures and the number of levels through which a message travels.

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12. Nishtha, Vasvi and Radhika were friends from college time and now they are engaged in different types of businesses. They regularly meet and discuss their business ideas, exchange notes on customer satisfaction, marketing efforts, product designing, selling techniques and social concerns, etc.

Nishtha, drew the attention of her friends towards the exploitation of consumers in the market. She said that the sellers were exploiting the consumers in many ways and were not paying attention towards the social, ethical and ecological aspects of marketing.

Vasvi said that they were under pressure of consumer satisfaction but observed that the consumers would not buy or not buy enough unless they are adequately convinced and motivated to do the same.

Radhika, stressed that it was the duty of the businessmen to keep consumer satisfaction in mind because business was run by the resources made available by the society. Thus, a company cannot achieve its objectives without understanding the needs of the customers.

The thinking of the three friends were different. These thinkings were guiding the marketing efforts of their business and were known with different names. Identify these names. Also, state one more feature of each of these thinkings. [3 marks]

Solution:

Concept:

- Marketing management philosophies guide a firm's approach to its market. The selling concept emphasises selling effort, whereas the marketing concept begins with customers' needs.
- The societal marketing concept adds society's long-term well-being to customer satisfaction and the firm's objectives, including ethical and ecological considerations.

Step 1: Identify Nishtha's societal marketing concept **Societal marketing concept:** Nishtha criticises sellers for ignoring the "social, ethical and ecological aspects of marketing". Her concern goes beyond immediate sales and satisfaction to the welfare of consumers and society. **One further feature:** This philosophy seeks to satisfy target customers more effectively than competitors while preserving or enhancing consumers' and society's long-term well-being. Thus, a firm should balance its profit objective, consumer satisfaction and social welfare rather than pursue a profitable sale at society's expense.

Step 2: Identify Vasvi's selling concept **Selling concept:** Vasvi says consumers "would not buy or not buy enough unless they are adequately convinced and motivated". This makes persuasion and selling effort the means of obtaining demand. **One further feature:** Its objective is profit through increased sales volume, supported by aggressive selling and promotional efforts. The emphasis is on

selling what the firm has produced, rather than first producing what the target customer needs.

Step 3: Identify Radhika's marketing concept **Marketing concept:** Radhika says a company cannot achieve its objectives "without understanding the needs of the customers". Customer needs and satisfaction therefore guide its marketing effort. **One further feature:** The firm uses integrated marketing to satisfy its chosen target market better than competitors and earns profit through that satisfaction. Its starting point is the target customers' needs, so products and the marketing mix are designed accordingly.

Step 4: Conclusion Nishtha represents the societal marketing concept, Vasvi the selling concept, and Radhika the marketing concept. Their distinguishing emphases are long-term social welfare, persuasive selling, and satisfaction of customer needs, respectively.

Quick Tip to Solve: Match the decisive case phrase: social and ecological concern means societal marketing; convincing buyers means selling; understanding customer needs means marketing.

13. Microgarments Ltd. is dealing in export of garments. The performance of the company has been upto the expectations in the past. Keeping up with the latest technology, the company decided to upgrade their machinery. For this, the Finance Manager, David, estimated the quantitative requirements of funds and their timings. This will help him in linking the investment and the financing decisions on a continuous basis.

So, he began with the preparation of a sales forecast for the next four years. He also collected all possible data about the profit estimates in the coming years. By doing this he wanted to be sure about the availability of funds within the business. For the remaining funds he is trying to find out the viable sources from outside.

Identify the financial concept discussed in the above para. Also, state the objectives to be fulfilled by the financial concept, so identified. [3 marks]

Solution:

Concept:

- Financial planning is the process of estimating the funds required by a business and specifying their sources. It considers both the amount needed and the time when funds will be needed.
- Its objectives are to ensure availability of funds whenever required and to see that the firm does not raise resources unnecessarily. It links investment requirements with financing arrangements.

Step 1: Identify financial planning from David's actions The concept is **financial planning**. David "estimated the quantitative requirements of funds and their timings" for the machinery upgrade. His sales forecast and estimates of future profits help determine the funds that the business can generate internally. His search for "viable sources from outside" identifies how the balance will be financed. These actions together estimate financial needs and specify their sources, rather than merely selecting a single investment.

Step 2: Explain the objective of ensuring timely funds **Ensure availability of funds whenever required:** The plan should provide enough funds at the right time for investment and operating needs. By forecasting the amount and timing of the machinery expenditure, and matching internal funds

with suitable external sources, David can arrange finance before payment falls due. This helps avoid a shortage that could delay the upgrade or disrupt business operations.

Step 3: Explain the objective of avoiding unnecessary finance **Avoid raising resources unnecessarily:** Financial planning should prevent both inadequate finance and excess funds. Raising more than the business needs adds financing costs and may leave funds idle without earning a return. David should therefore estimate available internal resources and obtain only the necessary balance externally, so that the firm maintains an appropriate balance between its financial needs and available funds.

Step 4: Conclusion David is undertaking financial planning. Its two objectives are to ensure funds are available at the right time and to avoid raising unnecessary resources, thereby preventing shortages as well as wasteful surplus finance.

Quick Tip to Solve: When a case combines estimates of fund amounts and timing with internal and external sources, identify financial planning; state its objectives as timely adequacy and avoidance of excess funds.

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14. After completing his entrepreneurship course from Australia, Sanket came back to India and started a coffee shop 'Premium Cold Coffee' in a famous mall in Delhi. Its speciality was the special aroma of coffee and a wide variety of flavours to choose from. Somehow the business was neither profitable nor popular. Sanket was keen to find out the reason. He appointed Riya, an MBA from a reputed college, as a manager to find out why the business was not doing well. Riya took a feedback from the clients and found out that though they loved the unique aroma of coffee but were not happy with the long waiting time being taken to process the order.

She analysed and found out that there were many unnecessary stoppages in between which could be eliminated. She set up a standard time for processing the order. She also analysed that there were many flavours of coffee available for which the demand was very less. So she also decided to discontinue some of them.

Within a short period Riya was able to attract the customers.

Identify and explain the management techniques used by Riya to solve the problem. [4 marks]

Solution:

Concept:

- Taylor's scientific management replaces trial-and-error work practices with a scientific examination of tasks, so that avoidable effort and time can be reduced.
- Motion study removes unnecessary movements, time study determines the standard time for a task, and simplification removes superfluous product varieties.

Step 1: Identify motion study from the unnecessary interruptions **Motion study:** Riya found that there were "many unnecessary stoppages in between which could be eliminated." Motion study examines the movements involved in doing a job, such as lifting, putting objects down, changing position and moving about. It identifies and eliminates unnecessary movements so that the task can be completed efficiently with less effort and time. Her examination of avoidable interruptions in processing orders applies this technique to improve the flow of service.

Step 2: Identify time study from the service-time standard **Time study:** The statement "She set up

a standard time for processing the order" directly identifies time study. This technique determines the standard time needed by a worker with reasonable skill and efficiency to perform a well-defined job. It provides a basis for planning the work and deciding the labour required. In the coffee shop it establishes the expected order-processing time, helping address the clients' complaint about long waiting time.

Step 3: Identify simplification from the reduced range of flavours **Simplification of work:** Riya found flavours "for which the demand was very less" and "decided to discontinue some of them." Simplification eliminates unnecessary diversity of products, sizes or varieties. By removing low-demand flavours, she reduces the superfluous variety that staff must handle and concentrates the shop's resources on the varieties customers want. This can reduce unnecessary inventory and make operations easier to organise without abandoning the shop's distinctive coffee aroma.

Step 4: Conclusion Riya used motion study to remove unnecessary interruptions and movements, time study to establish a standard order-processing time, and simplification to discontinue superfluous low-demand flavours. Each technique addresses a specific inefficiency identified in the case.

Quick Tip to Solve: Match each case clue separately: unnecessary movements or interruptions suggest motion study, a standard duration suggests time study, and reducing unwanted varieties suggests simplification.

15. Chandrika Bhattacharya is working in Olax Ltd., a company manufacturing room heaters. She is responsible for all the activities of the business and for its impact on the society. Her job demands long hours and commitment to the organisation.

(a) Identify the level at which Chandrika Bhattacharya is working.

(b) State three more functions required to be performed by Chandrika Bhattacharya at this level.

[4 marks]

Solution:

Concept:

- Levels of management distinguish responsibilities according to the authority and scope of work. Top management is concerned with the organisation as a whole and its overall direction.
- Top managers determine overall objectives and strategies, integrate the work of departments and ensure the organisation's survival, growth and welfare.

Step 1: Identify Chandrika's management level **(a) Top-level management:** Chandrika Bhattacharya is working at the top level of management. The decisive clue is that she is "responsible for all the activities of the business and for its impact on the society." Her responsibility covers the entire company rather than a single department or the immediate supervision of workers. The reference to "long hours and commitment to the organisation" also fits the demanding responsibilities of top management. The case establishes her level; it does not specify a particular job title.

Step 2: State three additional functions of top management **(b) Three more functions are:**

- **Determine overall objectives and strategies:** Chandrika must establish the company's broad objectives and formulate strategies for achieving them. These provide a common direction for the organisation and guide decisions at the lower levels.

- **Analyse the business environment:** She must examine the external environment and its implications for the firm. Recognising opportunities and threats helps the company choose suitable policies and respond to changes affecting its future.
- **Integrate the work of departments:** She must coordinate the efforts of different departments so that their activities contribute to the overall objectives. This prevents departments from pursuing conflicting goals and supports the organisation's survival and growth.

Step 3: Conclusion Chandrika belongs to top-level management. In addition to the overall and social responsibilities already described, she must determine objectives and strategies, analyse the business environment, and integrate the work of the company's departments.

Quick Tip to Solve: Responsibility for the whole organisation indicates top management. When asked for more functions, give functions beyond those already stated in the case.

16. Give the meaning of 'Objectives' and 'Policy' as types of plans. [4 marks]

Solution:

Concept:

- Planning specifies what an organisation seeks to achieve and provides guidance for deciding how to achieve it. Objectives and policies are two different types of plans within this framework.
- Objectives state the desired ends, whereas policies provide broad guidelines for decisions directed towards those ends.

Step 1: Explain objectives as the desired ends **Meaning of objectives:** Objectives are the end points towards which the activities of an organisation are directed. They describe the future position that management wants to attain and therefore give a clear direction to organisational efforts. For example, increasing annual sales by 10 per cent is a sales objective.

Role in planning: Objectives form the starting point of planning and the basis for other plans. They are normally set by top management and should, as far as possible, be stated in clear, specific and measurable terms. This helps managers coordinate activities and assess whether the intended results have been achieved.

Step 2: Explain policy as a broad decision guideline **Meaning of policy:** A policy is a general statement that guides thinking or channels managerial energies towards a particular direction. It provides a broad framework within which managers exercise judgement and make decisions. It does not prescribe every detailed action to be taken.

Role in planning: Policies make decisions more consistent and help managers deal with recurring situations while working towards objectives. For example, a policy of filling vacancies through promotion from within guides recruitment decisions but leaves room to judge employees' suitability. Policies may relate to production, marketing, finance or personnel, and support the achievement of organisational objectives.

Step 3: Conclusion Objectives specify the ends to be achieved by organisational activities. A policy supplies broad guidance for making decisions and directing efforts towards those ends.

Quick Tip to Solve: Remember objectives by asking, "What result do we want?" Identify a policy by asking, "What broad guideline should guide our decisions?"

17. Aarav Gupta was the Managing Director of KDS Ltd. The company had established a good name for itself and was doing well. It was known for timely completion of orders. The Production Manager, Ms. Charu, was efficiently handling the processing of orders with a team of twenty motivated employees working under her. Everything was going on well till Ms. Charu met with an accident. Aarav Gupta noticed that due to the absence of Ms. Charu, the company may not be able to meet the deadlines. He knew that any delay in this regard may lead to consumer dissatisfaction with the danger of loss of business and goodwill. So, he had a meeting with his employees where they planned for accurate and speedy processing of orders. Everybody agreed to work as a team as the attitude and behaviour of Aarav Gupta was very good towards the employees of the organisation. All put in extra time and efforts and the targets were met on time.

Not only this, Aarav Gupta visited Ms. Charu and advised her to take the required rest.

(a) Identify the leadership style of Aarav Gupta and draw a diagram depicting the style.

(b) State any two values highlighted in the behaviour of Aarav Gupta. [4 marks]

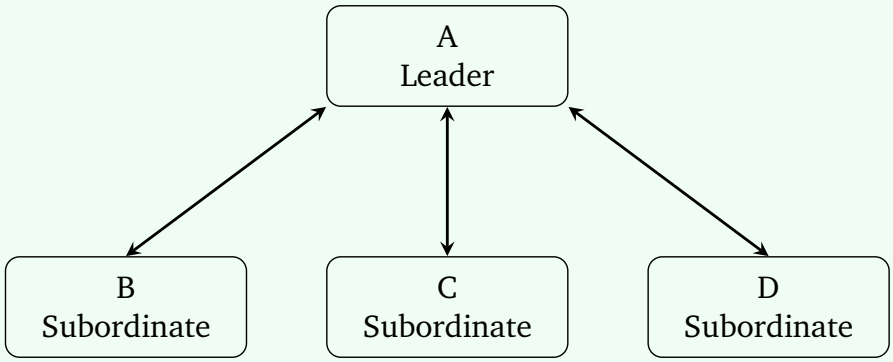
Solution:

Concept:

- A democratic or participative leader develops action plans and makes decisions in consultation with subordinates. The leader encourages their participation and motivates them through involvement rather than merely issuing orders.
- Values are the desirable principles reflected in managerial behaviour. Concern for employees and cooperation can be identified by linking the manager's actions to the people affected.

Step 1: Identify the leadership style from the consultation **(a) Democratic or participative leadership:** Aarav Gupta follows this style. The case says that he "had a meeting with his employees where they planned for accurate and speedy processing of orders." He involves employees in deciding how to meet the deadlines during Ms. Charu's absence. Their agreement to work together and their voluntary extra effort show participation and commitment to the agreed plan. He does not simply impose a decision, as an autocratic leader would, and he actively coordinates the response rather than leaving employees entirely on their own.

Step 2: Depict two-way participation between leader and subordinates In the diagram, A represents the leader and B, C and D represent subordinates. The two-way arrows show that the leader communicates with employees and receives their suggestions and feedback. This consultation is the central feature of democratic leadership; the leader retains responsibility while encouraging the group to participate in decisions.



Democratic leadership: two-way consultation between leader A and subordinates B, C and D.

Step 3: State two values supported by the manager's behaviour

- **Cooperation and team spirit:** Aarav brings employees together to plan the work, and "Everybody agreed to work as a team." His supportive behaviour encourages coordinated effort towards the common target instead of treating the delay as an individual employee's problem.
- **Care and concern for employees:** Aarav "visited Ms. Charu and advised her to take the required rest." This shows empathy for an injured employee and respect for her health and well-being, even when her absence creates pressure on production.

Step 4: Conclusion Aarav Gupta is a democratic or participative leader, as shown by his consultation with employees. His behaviour highlights cooperation and team spirit, together with care and concern for employees.

Quick Tip to Solve: Identify democratic leadership through consultation, then support each value with a separate action from the case rather than merely listing value names.

18. Today, the development of a country is also judged by its system of transferring finance from the sector where it is in surplus to the sector where it is needed the most. To give strength to the economy SEBI is undertaking measures to develop the capital market. In addition to this, there is another market in which unsecured and short-term debt instruments are actively traded every day. These markets together help the savers and investors in allocating the available funds into their most productive investment opportunity.

(a) Name the function being performed by the market in the above case.

(b) Also, explain three other functions performed by this market. [4 marks]

Solution:

Concept:

- Financial Markets: a financial market links savers, who have surplus funds, with investors and business units that need funds for productive use.
- Its four main functions are mobilisation of savings and their allocation, price discovery, providing liquidity to financial assets, and reducing the cost of transactions.

Step 1: Identify the function illustrated in the case **(a) Mobilisation of savings and channelising**

them into the most productive uses: The case says that finance is transferred from the sector where it is in surplus to the sector where it is needed most. It also states that the markets help in "allocating the available funds into their most productive investment opportunity". These words identify the mobilisation and allocation function of financial markets. Savers can choose among investments, while businesses can obtain funds for productive activities. Both the capital market and the money market perform this linking role.

Step 2: Explain the other three functions of financial markets

- **Facilitating price discovery:** Buyers and sellers interact in the financial market. The demand for a financial asset and the supply of that asset together help determine its price. Thus, the market provides a mechanism for discovering the price at which participants are willing to trade financial assets.
- **Providing liquidity to financial assets:** Financial markets facilitate the purchase and sale of financial assets. An investor can sell an existing investment and convert it into cash when required. This liquidity reassures investors that they need not necessarily retain an investment until its maturity.
- **Reducing the cost of transactions:** Financial markets provide useful information about securities, their prices and trading opportunities. They bring buyers and sellers together, saving the time, effort and money that participants would otherwise spend finding one another and arranging a transaction.

Step 3: Conclusion The function described is mobilisation of savings and channelising them into the most productive uses. The other three functions are facilitating price discovery, providing liquidity to financial assets and reducing the cost of transactions.

Quick Tip to Solve: Match "surplus funds to productive investment" with mobilisation and allocation; remember the other functions as price, liquidity and transaction cost.

19. Explain 'Direct Recruitment' and 'Advertisement' as external sources of recruitment. [4 marks]

Solution:

Concept:

- Staffing: recruitment is the process of searching for prospective employees and encouraging them to apply for jobs in an organisation.
- External recruitment brings applicants from outside the existing workforce. Direct recruitment and advertisement are two different ways of attracting such applicants.

Step 1: Explain direct recruitment

- **Notice and on-the-spot selection:** Under direct recruitment, an organisation displays a notice at its premises specifying the jobs available. Interested job seekers assemble outside the premises on the stated date, and selection is made on the spot. The organisation thus recruits directly from people who present themselves for work.
- **Suitability and economy:** This source is commonly used for casual vacancies involving unskilled or semi-skilled work. Such workers are often called casual or badli workers and may be engaged

when regular workers are absent or when work increases temporarily. The method is inexpensive because it does not require elaborate advertising or recruitment arrangements.

Step 2: Explain advertisement

- **Public announcement of vacancies:** An organisation advertises its vacancies in newspapers or suitable trade and professional journals. The advertisement describes the job and normally states the qualifications and experience required, remuneration and procedure for applying. It informs potential candidates outside the organisation and invites applications from them.
- **Wide choice and appropriate use:** Advertising reaches a much wider geographical area than a notice at the factory gate and can attract a large number of applicants. It is especially useful when the organisation needs suitable candidates for higher or specialised positions. The medium should match the type of employee required; clear job details help suitable candidates apply and reduce unnecessary applications.

Step 3: Conclusion Direct recruitment attracts job seekers through a notice at the organisation's premises and permits immediate selection, usually for casual unskilled or semi-skilled work. Advertisement publicises vacancies through newspapers or professional journals and provides a wider pool of applicants, including candidates for higher or specialised positions.

Quick Tip to Solve: For each external source, explain how applicants are contacted and the kind of vacancy it suits: premises notice for direct recruitment, published vacancy for advertisement.

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20. 'Helping Hands Organisation (HHO)' organised a visit of its members to an old age home to inculcate the habit of social work. They found that the living conditions of the old age home inmates were not hygienic. Therefore, they first decided to clean the premises. During their cleanliness drive, they realised that the place also required pest control. Some of the inmates of the old age home were hesitant as they thought that it may create health problems for them. So the HHO decided to use ethical, safe and odourless solution for pest control. They showed to the inmates a pamphlet of the proposed pest control product which promised easy, inexpensive and long lasting pest control. The members happily agreed and the pest control was done. It worked for a fortnight but afterwards to their dismay the effect started wearing off. The HHO contacted the pest control company which kept on postponing their visit. After waiting for a month the HHO filed a case in the consumer court.

The consumer court was satisfied about the genuineness of the complaint and issued necessary directions to the pest control company.

(a) State any six directions which could be issued by the court.

(b) Also, identify any two values which are communicated by HHO to the society. [5 marks]

Solution:

Concept:

- Consumer Protection: consumer redressal agencies can order remedies when a complaint about defective goods, deficient services or unfair trade practices is proved.
- A remedy may restore the consumer's position, compensate the loss and prevent the trader from repeating the unfair practice. Values are identified from the organisation's actual conduct in the

case.

Step 1: State six directions that the court may issue The pamphlet promised "long lasting pest control", but the effect started wearing off after a fortnight. The company then "kept on postponing their visit". These facts establish the basis for examining deficient service and the misleading promise. On being satisfied about the complaint, the court could issue any of the following six directions:

- **Remove the deficiency in service:** Direct the company to rectify the inadequacy in the pest-control service and provide the service of the quality promised, without charging again for correcting its deficiency.
- **Refund the charges paid:** Order return of the amount paid for the unsatisfactory pest-control service, where refund is the appropriate relief.
- **Pay reasonable compensation:** Direct payment of compensation for the loss or injury suffered by the consumer because of the company's negligence or deficient service.
- **Discontinue the unfair trade practice:** Order the company to stop making misleading claims about its service and not repeat the unfair practice in future.
- **Issue a corrective advertisement:** Direct the company to issue an advertisement neutralising the effect of the misleading advertisement or pamphlet that promised long-lasting results.
- **Pay the costs of the complaint:** Award adequate costs to the complainant for pursuing the complaint, so that seeking redress does not itself impose an unfair burden.

These are possible directions; the court chooses the relief appropriate to the facts and loss established.

Step 2: Identify two values shown by HHO

- **Compassion and concern for the elderly:** HHO visited the old age home "to inculcate the habit of social work" and decided to "clean the premises". Its members served elderly people and improved their living conditions.
- **Concern for health and safety:** When some inmates feared health problems, HHO chose an "ethical, safe and odourless solution". It respected the inmates' concerns and put their welfare ahead of merely completing the pest-control work.

Step 3: Conclusion The court can order removal of the deficiency, refund, compensation, discontinuance of unfair practices, corrective advertising and payment of complaint costs. HHO communicates compassion towards the elderly and concern for health and safety.

Quick Tip to Solve: Separate the court's remedies from HHO's values: state each remedy as an order and support each value with a phrase describing HHO's conduct.

21. Infotech Networks Ltd. was an innovation leader in technology in Canada, creating products and solutions for a connected world. It had a large Research and Development team which invented the first smart watch, T-12, which besides showing the time would also monitor few health parameters like heart-beat, blood pressure, etc. While in search of markets abroad, the company found that in India, the reform process was underway with the aim of accelerating the pace of economic growth. The company decided to take advantage of removal of unnecessary control over the economy and trade liberalisation through rationalisation of the tariff structure and reforms with respect to foreign exchange. It set up an office in Kolkata with a view to capture the Indian market. In a short span of time, the company emerged as a market leader. Success of the company attracted many other players to enter the market. Competition resulted in reduced prices thereby benefitting the customers.

(a) In the above paragraph, two major concepts related to government policy have been discussed. Identify and explain these concepts.

(b) Also, explain any three impacts of these concepts on Indian business and industry. [5 marks]

Solution:

Concept:

- Business Environment: liberalisation removes unnecessary controls and restrictions on business, while globalisation integrates the domestic economy with the world economy.
- Changes in government economic policy affect competition, customers' expectations and the need for technological improvement. Identify the policy from the case before explaining its business implications.

Step 1: Identify and explain the two policy concepts

- **Liberalisation:** It means freeing business and industry from unnecessary government controls and restrictions. The case explicitly mentions "removal of unnecessary control over the economy" and "trade liberalisation through rationalisation of the tariff structure and reforms with respect to foreign exchange". Simplifying controls, tariffs and foreign-exchange arrangements gives businesses greater freedom to operate and trade.
- **Globalisation:** It means integrating the various economies of the world, leading to greater interaction and interdependence among them. It facilitates cross-border movements of goods, services, capital, technology and people. Infotech was a company "in Canada" that, while seeking "markets abroad", "set up an office in Kolkata". This entry of a foreign company and its technology into India illustrates integration with the world economy.

The two concepts are related: liberalisation reduces barriers, which helps businesses expand across national boundaries and promotes globalisation.

Step 2: Explain three impacts on Indian business and industry

- **Increasing competition:** Easier entry and reduced restrictions bring domestic businesses into competition with foreign firms and with more Indian firms. The case states that the company's success "attracted many other players to enter the market". Indian enterprises therefore have to improve quality, efficiency, service and prices to retain their position.
- **More demanding customers:** Wider choice and greater awareness make customers expect better quality and value at reasonable prices. In the case, "competition resulted in reduced prices thereby benefitting the customers". Firms cannot rely on a protected market; they must understand and

satisfy customers' changing needs.

- **Rapidly changing technological environment:** Entry of global firms gives access to new products and technologies and increases the pressure to innovate. Infotech's Research and Development team invented a watch that could "monitor few health parameters". Indian businesses must adopt suitable technology, invest in research and development and improve their products to compete with such innovations.

Step 3: Conclusion The policy concepts are liberalisation and globalisation. Their impacts include increasing competition, more demanding customers and a rapidly changing technological environment, requiring Indian firms to improve efficiency, value and innovation.

Quick Tip to Solve: Link "removal of controls" to liberalisation and the Canadian firm's Indian office to globalisation; explain each impact as a change Indian firms must respond to.

22. State any five points of importance of controlling function of management. [5 marks]

Solution:

Concept:

- Controlling compares actual performance with planned standards, identifies deviations and ensures corrective action so that activities lead towards organisational goals.
- Its importance extends beyond finding mistakes: feedback improves standards, resource use, employee performance and coordination.

Step 1: State how control keeps plans effective

- **Accomplishing organisational goals:** Controlling measures progress towards organisational goals and brings to light deviations from the plan. Corrective action keeps activities on the intended course and helps the organisation achieve its objectives.
- **Judging accuracy of standards:** An effective control system verifies whether the standards set are accurate and objective. It also reviews them in the light of changes in the organisation and its environment, enabling managers to revise inappropriate standards.

Step 2: State how control improves organisational performance

- **Making efficient use of resources:** By comparing performance with predetermined standards, managers identify inefficient practices and reduce wastage and spoilage. Resources are consequently used effectively and economically rather than consumed without reference to expected output.
- **Improving employee motivation:** Clear standards tell employees what they are expected to do and how their performance will be evaluated. This clarity encourages them to perform better; participation in setting standards further strengthens commitment.
- **Facilitating coordination in action:** Control provides direction to all activities and efforts towards organisational goals. Predetermined standards help departments and employees work in harmony, so that their individual contributions support the organisation's overall objectives.

Step 3: Conclusion Thus, five points of importance are accomplishing organisational goals, judging

the accuracy of standards, making efficient use of resources, improving employee motivation and facilitating coordination in action.

Quick Tip to Solve: Link each importance point to what control does: compare performance, reveal a deviation and guide corrective action.

23. Helpequip Ltd. is a company dealing in distribution of medical equipments. The company recently imported 500 units of a diabetes monitoring machine which tests the sugar levels without taking blood samples. For deciding the marketing strategy, the Chief Executive Officer of the company called a meeting of the marketing heads of different zones. In the meeting, Sanjeev, the North Zone marketing head suggested that they need to visit hospitals to explain personally to the hospital staff who would be using the machine, since the machine is sophisticated. He also suggested that additional staff may also be recruited for the same.

Rishu, another zonal head, was of this opinion that since large amount of money had been spent on the purchase of the machines, additional funds were not available for recruiting the personnel as suggested by Sanjeev.

Ankur, a newly appointed zonal head of South Zone, suggested that since the size of the order was not large, a detailed study of the factors determining the choice of channels of distribution was required before making the right choice.

(a) Identify the factors influencing the choice of channels of distribution which were discussed in the meeting.

(b) Also, explain the other considerations to be taken care of in each factor identified in part (a).

[6 marks]

Solution:

Concept:

- A channel of distribution is the route through which goods move from the producer to the consumer. Its length depends on product-related, company-related and market-related factors, among other considerations.
- A technical product may need direct contact and demonstration, but a company's financial resources and the customers' buying pattern also influence whether direct distribution is practical.

Step 1: Identify the three factors from the case

- **Product-related factors:** Sanjeev says that staff must explain the machine personally because "the machine is sophisticated". Its technical complexity favours a short channel or direct selling by people able to demonstrate its use.
- **Company characteristics:** Rishu points out that "additional funds were not available for recruiting the personnel". The company's financial strength limits its ability to maintain its own sales force and therefore affects its choice of channel.
- **Market-related factors:** Ankur refers to the fact that "the size of the order was not large". The quantity normally purchased by customers is a market characteristic relevant to channel selection.

Step 2: Explain the other considerations within each factor

- **Other product considerations:** Perishable goods usually require shorter channels for quick delivery. Industrial products generally use shorter channels than consumer products. Standardised goods can use longer channels, while made-to-order products usually require direct contact. A high unit value generally favours a shorter channel; low-value products can be distributed through longer channels. Bulky or heavy goods also favour shorter channels to reduce repeated handling and transport costs.
- **Other company consideration:** The degree of control desired over distribution matters. A company seeking close control over prices, customer service and the selling process generally prefers a short channel or direct distribution. A company willing to give intermediaries greater independence can use a longer channel. Financially strong companies can afford their own selling arrangements, whereas limited resources encourage reliance on intermediaries.
- **Other market considerations:** A small number of buyers favours a short channel, while numerous buyers usually require more intermediaries. Geographically concentrated buyers can be served directly; widely scattered buyers favour longer channels. Large purchases generally favour direct distribution, whereas small, frequent purchases are often better served through retailers and other intermediaries.

Step 3: Conclusion The meeting discusses product-related factors through the machine's sophistication, company characteristics through the shortage of funds, and market-related factors through order size. Helpequip must weigh these considerations together before choosing its channel.

Quick Tip to Solve: Classify each clue by its subject: machine features indicate the product, funds indicate the company, and buyers or order size indicate the market.

24. Vinod Chandla started 'Sunshine Securities' a company providing cyber security solutions to businesses to prevent, detect and respond to cyber attacks and protect critical data. He was a hardworking software engineer and an expert in cyber security. His reputation grew by leaps and bounds as he was a person of integrity and did his work with utmost honesty and sincerity. The business started growing day-by-day.

He was delighted when he was offered a big project by the Ministry of Corporate Affairs. While working on the project, he found that the volume of work made it impractical for him to handle all the work himself. He decided to expand his team. The company maintained a close liaison with a local engineering college. During a campus placement Anishka and Kavya were appointed to work for the new project. He found the new employees capable, enthusiastic and trustworthy. Vinod Chandla was thus able to focus on objectives and with the help of Anishka and Kavya, the project was completed on time. Not only this Vinod Chandla was also able to extend his area of operations. Anishka and Kavya also got opportunities to develop and exercise initiative.

(a) Identify and explain the concept used by Vinod Chandla in the above case which helped him in focussing on objectives.

(b) Also, explain any three points of importance of the concept identified in part (a). [6 marks]

Solution:

Concept:

- Delegation means entrusting responsibility and authority to a subordinate to carry out specified activities. It enables a manager to obtain assistance while retaining overall accountability for results.
- Its three elements are authority, responsibility and accountability. Authority is the right to command and take decisions; responsibility is the obligation to perform an assigned task; accountability is answerability for its outcome.

Step 1: Identify and explain the concept in part (a) The concept is **delegation**. Vinod realised that "the volume of work made it impractical for him to handle all the work himself" and obtained the assistance of Anishka and Kavya. Entrusting work and the authority needed to carry it out enabled him to concentrate on the company's objectives rather than personally performing every activity. Delegation does not mean surrendering his position: he remains accountable to his superior or the organisation for the work delegated.

Step 2: Explain three points of importance for part (b)

- **Effective management:** By passing routine duties and the related authority to subordinates, a manager reduces his own workload and has time for important matters. He can therefore use his abilities where they contribute most to organisational objectives. The case states that Vinod "was thus able to focus on objectives" and that "the project was completed on time" with the employees' help.
- **Employee development:** Delegation gives employees opportunities to use their knowledge, make decisions and develop new skills through practical experience. It builds their confidence and prepares them for greater responsibilities. Here, "Anishka and Kavya also got opportunities to develop and exercise initiative", showing development through meaningful assignments.
- **Facilitation of growth:** Delegation develops a pool of capable employees who can take responsibility when the business expands. The enterprise need not depend on one manager to handle every task, so expansion becomes more feasible. In the case, Vinod "was also able to extend his area of operations", illustrating how delegation supports organisational growth.

Step 3: Conclusion Vinod used delegation to entrust work and the necessary authority to his employees while retaining overall accountability. Its importance is evident in effective management, employee development and facilitation of growth.

Quick Tip to Solve: Link each benefit to its own case clue: focus on objectives means effective management, initiative means employee development, and wider operations mean facilitation of growth.

25. Explain any four factors that affect the working capital requirements of a company. [6 marks]

Solution:

Concept:

- Working capital finances the day-to-day operations of a business through current assets such as inventories, debtors and cash. Net working capital is the excess of current assets over current liabilities.
- A company's working capital requirement depends on the amount of funds tied up in its operating activities and the period for which those funds remain tied up. Four important factors are the nature of business, scale of operations, business cycle and seasonal factors.

Step 1: Explain the nature of business and scale of operations

- **Nature of business:** A trading concern ordinarily needs less working capital than a manufacturing concern because it purchases finished goods for resale and has no manufacturing process. A manufacturer must hold raw materials, work in progress and finished goods and finance expenses during production. A service enterprise generally needs comparatively little inventory, so its working capital requirement is usually lower. The need depends on the operating activities and inventories involved, not merely on the name of the industry.
- **Scale of operations:** A company operating on a larger scale generally needs a larger absolute amount of working capital. It must maintain more inventory, finance a larger volume of credit sales and meet greater day-to-day expenses such as wages and transport. A small-scale concern ordinarily needs less. This comparison concerns the total funds needed; it does not imply that working capital must rise in exactly the same proportion as sales.

Step 2: Explain the business cycle and seasonal factors

- **Business cycle:** During a boom, demand and sales normally increase. To meet this demand, a company increases production and investment in inventories and debtors, raising its working capital requirement. During a depression, demand and production usually decline, so less money is generally needed to finance routine operating assets. Thus, the stage of the business cycle affects the volume of operations to be financed.
- **Seasonal factors:** In businesses with seasonal demand, working capital needs are higher during the peak season. The company must build stocks and finance higher production and sales before receiving the related cash. During the lean season, operations and inventories are normally lower, reducing the requirement. For example, a producer of summer beverages needs more operating funds before and during the summer selling period than during the off-season.

Step 3: Conclusion The nature of business, scale of operations, business cycle and seasonal factors affect working capital requirements by changing the amount of inventory, receivables and operating expenditure that the company must finance.

Quick Tip to Solve: For each factor, state the condition, say whether the working capital requirement rises or falls, and explain the effect on inventory, credit sales or daily expenses.